

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AF-10 ARA-06
NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /134 W
-----251500Z 109052 /46

R 251344Z APR 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 6790

INFO AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: GATT WP ON EXPORT INFLATION INSURANCE

REF: GENEVA 2040

1. SUBJECT WP IS SCHEDULED RECONVENE MAY 18-19. SEE REFTEL
FOR SUGGESTIONS ON FURTHER U.S. PREPARATION. MISSION HAS SUP-
PLIED UK AND FRENCH MISSIONS WITH HYPOTHETICAL STATISTICAL
EXAMPLES CONTAINED IN BACKGROUND NOTE TO PREVIOUS INSTRUCTIONS.

2. EC HAS CIRCULATED GATT NOTIFICATION OF DESIRE TO DISCUSS
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EXCHANGE RATE GUARANTEE SCHEMES. L/4491 OF 21 APRIL (POUCHED
NORMAL WASHINGTON DISTRIBUTION) CONTAINS FOLLOWING KEY PASSAGES:

"INsofar AS EXCHANGE RATE GUARANTEE SCHEMES COVER THE
SAME RISKS AS CAN BE COVERED IN THE FORWARD MARKET AND
PREMIUMS ARE SET AT SUCH A LEVEL THAT NO GOVERNMENT SUB-
SIDIZATION IS ENVISAGED, THEY DO NOT GIVE RISE TO PROB-

LEMS IN INTERNATIONAL TRADE.

"IN SOME CASES HOWEVER EXPORTERS MAY BE INSURED AGAINST LOSSES DUE EXCLUSIVELY TO DOWNWARD EXCHANGE MOVEMENTS WHILE RETAINING THE FULL BENEFIT OF ANY UPWARD MOVEMENTS. SCHEMES THAT ARE APPLYING THIS COVERAGE SYSTEM WITHOUT LEVYING ADEQUATE PREMIUM RATES ARE BOUND TO INCUR LOSSES THAT SEEM TO BE DUE TO THE GUARANTEEING OF DEPRECIATING CURRENCIES.

"IN THESE CIRCUMSTANCES THOSE SCHEMES MIGHT AMOUNT TO A SUBSIDIZATION USED TO ATTENUATE OR COMPENSATE FOR THE EFFECTS OF COST INFLATION INsofar AS EXCHANGE RATES ARE INFLUENCED BY DIFFERENCES IN RATES OF INFLATION."

3. WE DO NOT BELIEVE THIS IS A VERY PERTINENT SUBJECT FOR THIS WP, AND EC ATTEMPTED JUSTIFICATION IS LOOSE. WE DO NOT AS YET KNOW REACTION OF OTHER WP MEMBERS TO THIS NEW NOTIFICATION, BUT SEVERAL WEEKS AGO CANADA, SWEDEN, NORWAY, AND JAPAN MISSIONS REPORTED THEIR CAPITALS STILL HAD NO FIRM POSITIONS ON PERTINENCE THIS SUBJECT TO WP TERMS OF REFERENCE.

4. ONE REASON FOR RESISTING INCLUSION OF EXCHANGE RATE GUARANTEE SCHEMES HAS BEEN OVERTAKEN BY EVENTS: WE WERE ABLE AT PREVIOUS WP SESSION TO DISCUSS EXPORT INFLATION INSURANCE SCHEMES THOROUGHLY, SO BROADENING SCOPE OF WP DISCUSSION NOW WOULD BE LESS OBJECTIONABLE. SUGGEST WE LISTEN TO EC PRESENTATION AT MAY 18-19 WP SESSION FOR LIMITED OFFICIAL USE

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SIGNS OF TIGHTER JUSTIFICATION THAN THAT QUOTED ABOVE. IF BETTER ARGUMENT IS FORTHCOMING, WE CAN "REFLECT". IF THERE IS NONE, WE CAN OPPOSE FURTHER DISCUSSION THIS ITEM ON THE SPOT.

5. WILL REPORT FURTHER WHEN RESULTS OF EC/JAPANESE BILATERAL DISCUSSIONS ON JAPANESE SCHEME (REFTEL) ARE KNOWN. TALKS EXPECTED WITHIN NEXT TWO WEEKS. SORENSON

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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